



U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20416

AUDIT REPORT

Issue Date: November 18, 2004

Number: 5-06

To: Department of Treasury
Financial Management Service
[FOIA Ex. 6]

From: Robert G. Seabrooks,
Assistant Inspector General for Auditing

Subject: GFRS for Fiscal Year 2004

Pursuant to OMB Bulletin No. 01-02, Audit Requirements for Federal Financial Statements, as amended, attached is the Independent Auditor's Report, issued by Cotton & Company LLP, for the special-purpose closing package prepared by SBA for reclassified balance sheet of the US Small Business Administration (SBA) as of September 30, 2004, and the related reclassified statements of net cost and changes in net position for the year then ended (hereinafter referred to as the special-purpose financial statements).

The independent auditor's opinion, found that except for the effects of any adjustments that might have been determined necessary to examine additional evidence related to the re-estimates and financial statement line items explained in their report's third paragraph, the special-purpose balance sheet as of September 30, 2004, and statements of net cost, and changes in net position for the period then ended, the statements present fairly in all material respects, the financial position of SBA as of September 30, 2004, and the results of operations, and changes in net position for the period then ended in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to the requirements of TFM Chapter 4700.

Should you or your staff have any questions, please contact [FOIA Ex. 6] Director, Information Technology and Financial Management Group at (202) [FOIA Ex. 2]

Distribution:

GAO: uscfs@gao.gov

David_Zavada.Statements@omb.eop.gov

COTTON & COMPANY LLP

auditors ♦ advisors

333 NORTH FAIRFAX STREET ♦ SUITE 401 ♦ ALEXANDRIA, VIRGINIA 22314 ♦ 703/836/6701 ♦ FAX 703/836/0941 ♦ WWW.COTTONCPA.COM

INDEPENDENT AUDITOR'S REPORT ON SPECIAL-PURPOSE FINANCIAL STATEMENTS

Inspector General
Small Business Administration

We audited the accompanying reclassified balance sheet of the US Small Business Administration (SBA) as of September 30, 2004 and the related reclassified statements of net cost and changes in net position for the year then ended (hereinafter referred to as the special-purpose financial statements) contained in the special-purpose closing package prepared by SBA. These special-purpose financial statements are the responsibility of SBA management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our audit of SBA's general-purpose (principal) financial statements as of and for the year ended September 30, 2004, we were not able to satisfy ourselves as to the reasonableness of SBA's Fiscal Year (FY) 2004 subsidy re-estimates pertaining to its Section 7(a), 504, Small Business Investment Company (SBIC) Participating Securities, and SBIC Debenture programs; or to the value of SBA's Credit Program Receivables and Related Foreclosed Property, Net and Liabilities for Loan Guarantees for these four programs. SBA forecasted its cash flow activity, including purchases for defaulted loans, recoveries on defaults, interest transactions on estimated cash balances, and other collection and disbursement activities, for the second half of FY 2004. SBA consistently overestimated purchase activity, which in turn affected projections of other cash-flow components. We were not able to determine the impact of this material over-estimate of purchase activities on SBA's re-estimates of subsidy costs. In addition, the material over-estimate of purchase activities directly affects SBA's valuation of its Credit Program Receivables and Related Foreclosed Property, Net, and Liabilities for Loan Guarantees, because SBA makes adjustments between these two financial statement line items based on estimates of activity for the second half of FY 2004.

The accompanying special-purpose financial statements and notes contained in the special-purpose closing package have been prepared for the purpose of complying with the requirements of the U.S. Department of the Treasury Financial Manual (TFM) Volume I, Part 2, Chapter 4700, solely for the purpose of providing financial information to the U.S. Department of the Treasury and U.S. Government Accountability Office for use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of SBA's financial statements.

In our opinion, except for the effects of any adjustments that might have been determined necessary had we been able to examine additional evidence related to the re-estimates and financial statement line items explained in this report's third paragraph, the special-purpose balance sheet as of September 30, 2004, and statements of net cost, and changes in net position for the period then ended, present fairly in all material respects, the financial position of SBA as of September 30, 2004, and the results of operations, and changes in net position for the year then ended in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to the requirements of TFM Chapter 4700.

The information included in Other Data is presented for the purpose of additional analysis and is not a required part of the special-purpose financial statements, but is supplementary information required by the TFM Chapter 4700. We have applied certain limited procedures that consisted principally of inquiries of management regarding methodology and presentation of this information. We also reviewed such information for consistency with the related information presented in SBA's principal financial statements. However, we did not audit this information, and accordingly, we express no opinion on it.

In accordance with Government Auditing Standards and OMB Bulletin No. 01-02, as amended, we have also issued reports dated November 15, 2004, on our consideration of SBA's internal control over financial reporting and its compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit of general-purpose financial statement reporting performed in accordance with Government Auditing Standards and OMB Bulletin No. 01-02, as amended, and should be read in conjunction with this report in considering the results of our audit.

In planning and performing our audit of the special-purpose financial statements, we also considered SBA's internal control over the financial reporting process for the special-purpose financial statements and compliance with the TFM Chapter 4700. Management is responsible for establishing and maintaining internal control over financial reporting, including Other Data, and for complying with laws and regulations, including compliance with TFM Chapter 4700. Our consideration of internal control over the financial reporting process for the special-purpose financial statements would not necessarily disclose all matters in internal control over the financial reporting process that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting that, in our judgment, could adversely affect SBA's ability to record, process, summarize, and report financial data consistent with the assertions made by management in the

special-purpose financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the special-purpose financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our tests of compliance with TFM Chapter 4700 requirements disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and OMB Bulletin No. 01-02. However, providing opinions on internal control over the financial reporting process for the special-purpose financial statements or on compliance with the TFM Chapter 4700 requirements were not objectives of our audit of the special-purpose financial statements and, accordingly, we do not express such opinions.

This report is intended solely for the information and use of SBA, the U.S. Department of the Treasury, the Office of Management and Budget and the U.S. Government Accountability Office in connection with the preparation and audit of the Financial Report of the U.S. Government, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

COTTON & COMPANY LLP

[FOIA Ex. 6]

[FOIA Ex. 6] CPA
Partner

November 18, 2004
Alexandria, Virginia

SMALL BUSINESS ADMINISTRATION

GOVERNMENTWIDE FINANCIAL REPORT SYSTEM

FISCAL YEAR 2004 FINANCIAL STATEMENTS

U.S Department of the Treasury
Financial Management Service
Governmentwide Financial Report System

GF003-Closing Package Financial Statement Reports

Statement: BALANCE SHEET

Fiscal Year: 2004

Period: QTR 4 - YTD

Type: Single

Reported In: WHOLE DOLLARS **Decimal:** ZERO

Entity: 7300 - Small Business Administration

Amounts presented as debits and credits(-)

FY 2004-QTR 4

Assets:

Non-Federal

Cash and Other Monetary Assets	22,510,000
Accounts Receivable	39,457,000
Loans Receivable	3,413,244,000
Taxes Receivable	0
Inventory and Related Property	0
Property, Plant and Equipment	19,789,000
Other Assets	0
Total Non-Federal Assets	3,495,000,000

Federal

Fund Balance with Treasury	7,072,582,000
Investments	0
Accounts Receivable	0
Interest Receivable	0
Loans Receivable	0
Transfers Receivable	0
Benefit Program Contributions Receivable	0
Advances to Others and Prepayments	0
Other Assets (without reciprocals)	0
Total Federal Assets	7,072,582,000
Total Assets	10,567,582,000

Liabilities

Non-Federal

Accounts Payable	(33,894,000)
Federal Debt Securities Held by the Public	0
Federal Employee and Veteran Benefits Payable	(28,436,000)
Environmental and Disposal Liabilities	0
Benefits Due and Payable	0
Loan Guarantee Liabilities	(2,524,052,000)
Other Liabilities	(102,615,000)
Total Non-Federal Liabilities	(2,688,997,000)

Federal

Accounts Payable	(10,297,000)
Debt	(8,603,974,000)

**U.S Department of the Treasury
Financial Management Service
Governmentwide Financial Report System**

GF003-Closing Package Financial Statement Reports

Statement: BALANCE SHEET

Fiscal Year: 2004

Period: QTR 4 - YTD

Type: Single

Reported In: WHOLE DOLLARS **Decimal:** ZERO

Entity: 7300 - Small Business Administration

Amounts presented as debits and credits(-)

	FY 2004-QTR 4
Interest Payable	0
Loans Payable	0
Transfers Payable	0
Benefit Program Contributions Payable	0
Advances from Others and Deferred Credits	0
Other Liabilities (without reciprocals)	(866,589,000)
Total Federal Liabilities	(9,480,860,000)
Total Liabilities	(12,169,857,000)
Net Position	1,602,275,000
Total Liabilities and Net Position	(10,567,582,000)

U.S Department of the Treasury
Financial Management Service
Governmentwide Financial Report System

GF003-Closing Package Financial Statement Reports

Statement: STATEMENT OF NET COST

Fiscal Year: 2004

Period: QTR 4 - YTD

Type: Single

Reported In: WHOLE DOLLARS **Decimal:** ZERO

Entity: 7300 - Small Business Administration

Amounts presented as debits and credits(-)

FY 2004-QTR 4

Gross Cost:

Non-Federal Gross Cost	1,824,460,000
Interest on Debt Held by the Public	0
Total Non-Federal Gross Cost	1,824,460,000

Federal Gross Cost

Benefit Program Costs Related to Exchange Transactions	35,601,000
Imputed Costs	17,858,000
Benefit Program Costs Related to Nonexchange Transactions	0
Buy/Sell Costs	0
Federal Securities Interest Expense Related to Exchange Transactions	0
Federal Securities Interest Expense Related to Nonexchange Transactions	0
Borrowing Interest and Other Expenses Related to Exchange Transactions	516,548,000
Borrowing Interest Expense Related to Nonexchange Transactions	0
Borrowing Losses	0
Other Costs (without reciprocals)	143,318,000
Total Federal Gross Cost	713,325,000

Department Total Gross Cost	2,537,785,000
-----------------------------	---------------

Earned Revenue

Non-Federal Earned Revenue	(487,406,000)
----------------------------	---------------

Federal Earned Revenue

Buy/Sell Revenue	0
Federal Securities Interest Revenue (exchange)	0
Benefit Program Revenue (exchange)	0
Borrowings Gains	0
Borrowing Interest and Other Revenue (Exchange)	0
Other Revenue (without reciprocals)	(302,842,000)
Total Federal Earned Revenue	(302,842,000)
Department Total Earned Revenue	(790,248,000)

Net Cost	1,747,537,000
----------	---------------

**U.S Department of the Treasury
Financial Management Service
Governmentwide Financial Report System**

GF003-Closing Package Financial Statement Reports

Statement: STATEMENT OF CHANGES IN NET POSITION **Fiscal Year:** 2004 **Period:** QTR 4 - YTD
Type: Single **Reported In:** WHOLE DOLLARS **Decimal:** ZERO
Entity: 7300 - Small Business Administration

Amounts presented as debits and credits(-)

	FY 2004-QTR 4
Beginning Net Position	4,117,370,000
Non-Federal Prior Period Adjustments (Not Restated)	0
Federal Prior Period Adjustments (Not Restated)	0
Adjusted Beginning Net Position Balance	4,117,370,000
 Non-Federal Nonexchange Revenue	
Individual Income Tax and Tax Withholdings	0
Corporation Income Taxes	0
Unemployment Taxes	0
Excise Taxes	0
Estate and Gift Taxes	0
Custom Duties	0
Other Taxes and Receipts	0
Miscellaneous Earned Revenue	0
Total Non-Federal Nonexchange Revenue	0
 Federal Nonexchange Revenue	
Federal Securities Interest Revenues	0
Federal Borrowings-Interest Revenue	0
Other taxes and receipts	0
Benefit Program Revenue (nonexchange)	0
Total Federal Nonexchange Revenue	0
 Budgetary Financing Sources:	
Appropriations Received	(4,430,112,000)
Unexpended Appropriations transferred in	(30,000,000)
Unexpended Appropriations transferred out	0
Other Adjustments (recissions, etc.)	116,976,000
Appropriations Used	0
Appropriation transfers in	0
Appropriation transfers out	0
Other Financing Sources	0
Total Budgetary Financing Sources	(4,343,136,000)
 Other Financing Sources:	
Transfers-in Without Reimbursement	98,362,000
Transfers-out Without Reimbursement	0

**U.S Department of the Treasury
Financial Management Service
Governmentwide Financial Report System**

GF003-Closing Package Financial Statement Reports

Statement: STATEMENT OF CHANGES IN NET POSITION **Fiscal Year:** 2004 **Period:** QTR 4 - YTD

Type: Single **Reported In:** WHOLE DOLLARS **Decimal:** ZERO

Entity: 7300 - Small Business Administration

Amounts presented as debits and credits(-)

FY 2004-QTR 4

Imputed Financing Source	(17,858,000)
Total Other Financing Sources	80,504,000
Net Cost of Operations	1,747,537,000
Ending Net Position Balance	1,602,275,000

SMALL BUSINESS ADMINISTRATION

GOVERNMENTWIDE FINANCIAL REPORT SYSTEM

FISCAL YEAR 2004 FOOTNOTES

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

11/18/2004 11:46:53

Note: 01 Summary of Significant Accounting Policies
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004 **Period:** Q4YTD

Tab: Line Item Notes

Closing Package Line Description		Acct	Rounding Method: Thousands	
		NB Type		Decimal: Zero
NONE			0	0
	Variance			

Line No Line Description _____

Tab: Other Notes Info.

Tab: Text Data

Line No	Question	Answer
1	Describe any significant events that occurred after the agency audited financial statements were issued.	None

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

11/18/2004 11:48:20

Note: 02 **Cash and Other Monetary Assets:**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Closing Package Line Description		Acct		2004 - Q4YTD	2003 - Q4YTD	Rounding Method: Thousands	
Cash and Other Monetary Assets		NB Type	D A	22,510	5,331	Decimal: Zero	
		Variance		0	0		
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes		
2	Other Cash	22,510	5,331	5,331	0		
3	International monetary assets						
5	Domestic monetary assets						
Total		22,510	5,331	5,331	0		

Threshold

Line Description	Question	Answer
Line Item Notes - Other Cash (2004 - Q4YTD)	Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year.	Changed the way Deposits in Transit were treated.

Tab: Other Notes Info.

Tab: Text Data

Line No	Question	Answer
1	Describe the nature of the amount in the line item "other cash".	Cash in Transit is cash held outside of the US Treasury and consists of undeposited collections under the control of the SBA at field offices and lockboxes

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 03 Accounts Receivable
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Closing Package Line Description			Acct		2004 - Q4YTD		2003 - Q4YTD		Rounding Method: Thousands	
Accounts Receivable			NB Type		D A		39,457 35,472		Decimal: Zero	
			Variance		0		0			
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes					
1	Accounts receivable, gross	39,457	35,472	35,472	0					
2	Related interest receivable									
3	Penalties, fines, and administrative fees receivable									
4	Less: allowance for loss on accounts receivable									
5	Less: allowance for loss on interest receivable									
6	Less: allowance for loss on penalties, fines, and admin. fees rec.									
Total		39,457	35,472	35,472	0					

Tab: Other Notes Info.**Tab: Text Data**

Line No Question

Answer

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 03 Accounts Receivable
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Text Data

Line No	Question	Answer
1	Describe the method(s) used to calculate the allowances.	<p>Answer</p> <p>Accounts Receivable - Intragovernmental are reimbursements due from other Federal agencies and funds. In addition, SBA records interfund receivables and payables between its program and financing funds for its subsidy reestimates that are eliminated in its consolidated statements.</p> <p>Accounts Receivable that are not intragovernmental primarily represent amounts due from participating financial institutions for guarantee fees. The balance in the Salaries and Expenses fund represents receivables due from Agency employees or vendors for net credits from various transactions.</p> <p>SBA has determined that uncollectible or unrecoverable accounts receivable are not significant and does not provide an allowance. The historic immateriality of losses is due to stringent collection policies and the ability to offset against the lenders share of collections, payments to employees, and or vendors.</p>

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04A Direct Loans and Loan Guarantees:
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Closing Package Line Description		Acct	2004 - Q4YTD	2003 - Q4YTD	Rounding Method: Thousands	
Loans Receivable		NB Type			Decimal: Zero	
		D A	3,413,244	3,532,595		
		Variance	0	0		

Line No	Line Description	CY: Face Value of Loans Outstanding	CY: Long-Term Cost of Loans	CY: Net Loans Receivable	PY: Face Value of Loans Outstanding	PY: Long-Term Cost of Loans	PY: Net Loans
10	Agricultural Credit Insurance Fund						
12	Disaster Loan Programs	3,080,483	-598,917	2,481,566	2,991,383	-603,586	2,387,797
13	Business Loan Programs	3,893,537	-2,961,859	931,678	3,006,435	-1,861,637	1,144,798
14							
15							
16	Other Direct Loans						
17							
	Total	6,974,020	-3,560,776	3,413,244	5,997,818	-2,465,223	3,532,595

Threshold**Line Description****Question****Answer**

Line Item Notes - Business Loan Programs (CY: Net Loans Receivable) Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year

Line Item Notes - Business Loan Programs (CY: Face Value of Loans Outstanding) Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year

Tab: Other Notes Info.

Section: A Section Name: Direct loans disbursed and subsidy expense

Rounding Method: Thousands

Decimal: Zero

Line No	Line Description	CY Loans Disbursed	PY Loans Disbursed	CY Subsidy Expense	PY Subsidy Expense	Line Attributes	NB
12	Disaster Loan Programs	465,152	686,149	113,313	470,860	Dollars Debit	Debit
13	Business	20,595	23,123	30,223	3,748	Dollars Debit	Debit
14						Dollars Debit	Debit
15						Dollars Debit	Debit
16						Dollars Debit	Debit
17	Other Direct Loans					Dollars Debit	Debit

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04A Direct Loans and Loan Guarantees:

Entity: 7300 Small Business Administration

Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: A		Section Name: Direct loans disbursed and subsidy expense		Rounding Method: Thousands		Decimal: Zero	
Threshold		Question		Answer			
Line Description							
Other Notes Info - Disaster Loan Programs (CY Loans Disbursed)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year		Change in activity based upon timing of Disasters			
Other Notes Info - Disaster Loan Programs (CY Subsidy Expense)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year		Change due to reestimation process			
Other Notes Info - Business (CY Loans Disbursed)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year		Change is normal flow of business activity			
Other Notes Info - Business (CY Subsidy Expense)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year		Revisions based upon reestimates			
Section: B		Section Name: Reconciliation Schedule for Subsidy Cost Allowance		Rounding Method: Thousands		Decimal: Zero	
		Balance - Direct Loans					
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Beginning balance of the subsidy cost allowance	2,437,369	985,255	458,811,000	-457,825,745	Dollars	Debit
2	Interest rate differential cost	21,690	50,236	50,236,000	-50,185,764	Dollars	Debit
3	Default costs (net of operations)	39,224	60,767	60,767,000	-60,706,233	Dollars	Debit
4	Fees and other collections	-283	-6,711	-6,711,000	6,704,289	Dollars	Debit
5	Other subsidy costs	-504	5,640	5,640,000	-5,634,360	Dollars	Debit
6	Total of the above subsidy expense components	60,127	109,932	109,932,000	-109,822,068	Dollars	Debit
7	Loan modifications					Dollars	Debit
8	Fees received					Dollars	Debit
9	Foreclosed property acquired					Dollars	Debit
10	Loans written off	-53,547	-143,526	-143,526,000	143,382,474	Dollars	Debit

Period: Q4YTD

Section: B	Section Name:	Reconciliation Schedule for Subsidy Cost Allowance	Rounding Method:	Thousands	Decimal: Zero	
		Balance - Direct Loans				
11	Subsidy allowance amortization	-79,163	-155,842	-155,842,000	155,686,158	Dollars Debit
12	Other	1,054,774	1,276,874	4,342,000	-3,065,126	Dollars Debit
13	Ending balance of the subsidy cost allowance before reestimates	3,419,560	2,072,693	273,717,000	-271,644,307	Dollars Debit
14	Interest rate reestimate					Dollars Debit
15	Technical/default reestimate	83,409	364,676	136,703,000	-136,338,324	Dollars Debit
16	Total of the above reestimate components	83,409	364,676	136,703,000	-136,338,324	Dollars Debit
17	Ending balance of the subsidy cost allowance	3,502,969	2,437,369	410,420,000	-407,982,631	Dollars Debit

Threshold	Line Description	Question	Answer
Other Notes Info - Beginning balance of the subsidy cost allowance (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Reestimation process
Other Notes Info - Interest rate differential cost (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Reestimation process
Other Notes Info - Default costs (net of operations) (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Reestimation process
Other Notes Info - Total of the above subsidy expense components (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Reestimation process.
Other Notes Info - Other (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Reestimation process
Other Notes Info - Ending balance of the subsidy cost allowance before reestimates (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Revisions from the reestimation process.
Other Notes Info - Technical/default reestimate (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Reestimation process

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04A Direct Loans and Loan Guarantees:
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: B **Section Name:** Reconciliation Schedule for Subsidy Cost Allowance
Balance - Direct Loans

Rounding Method: Thousands

Decimal: Zero

Threshold Line Description	Question	Answer
Other Notes Info - Total of the above reestimate components (2004 - Q4YTD)	Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Reestimation process
Other Notes Info - Ending balance of the subsidy cost allowance (2004 - Q4YTD)	Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year	Reestimation process

Section: C **Section Name:** Subsidy Rates for Direct Loans

Line No	Line Description	CY Interest	PY Interest	CY Defaults	PY Defaults	CY Fees and other collections	PY Fees and other collections	Line Attributes	NB
12	Disaster Loan Programs	3.2900	5.7000	8.5600	8.5300	.0000	.0000	Percent	N/A
13	Disaster WTC		10.6400		11.9000		-4.1500	Percent	N/A
14	Business	9.3400	12.8400	.2100	.2100	.0000	.0000	Percent	N/A
15								Percent	N/A
16								Percent	N/A
17	Other Subsidy Rates for Direct Loans							Percent	N/A
	Line Line Description	CY Other	PY Other	CY Total	PY Total	CY Loan Modification	PY Loan Modification	Line Attributes	NB
12	Disaster Loan Programs	-.1300	-.2500	11.7200	13.9800	.0000	.0000	Percent	N/A
13	Disaster WTC		4.8100		23.2000	.0000	.0000	Percent	N/A
14	Business	.0000		9.5500	13.0500	.0000	.0000	Percent	N/A
15								Percent	N/A
16								Percent	N/A
17	Other Subsidy Rates for Direct Loans							Percent	N/A

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04A Direct Loans and Loan Guarantees:

Entity: 7300 Small Business Administration

Fiscal Year: 2004

Period: Q4YTD

Status: Complete

Tab: Other Notes Info.

Section: D		Section Name: Foreclosed assets- Number of units (SFFAS No. 3, par. 91)			
Line Line Description No	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes NB
1 Number of properties in the foreclosure process	58.0000	83.0000	83.0000	.0000	Units N/A
2 Number of properties held	26.0000	12.0000	12.0000	.0000	Units N/A
3 Average holding period for properties held	723.0000	535.0000	535.0000	.0000	Units N/A
Threshold					
Line Description		Question		Answer	
Other Notes Info - Number of properties in the foreclosure process (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year		Small Inventory subject to dramatic swings as cycle progresses	
Other Notes Info - Number of properties held (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year		Small Inventory subject to dramatic percentage changes as cycle progresses	
Other Notes Info - Average holding period for properties held (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year		Small Inventory subject to dramatic percentage changes as cycle progresses.	
Section: E		Section Name: Foreclosed Assets- Balances (SFFAS No. 3, par. 91)		Rounding Method: Thousands	Decimal: Zero
Line Line Description No	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes NB
1 Balances for property held Pre 1992	5.392	5.395	0	5.395	Dollars Debit
2 Balances for property held Post 1991	863	1,346	20,100,000	-20,098,654	Dollars Debit
Threshold					
Line Description		Question		Answer	
Other Notes Info - Balances for property held Post 1991 (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and prior fiscal year		This is a small dollar amount in overall program activity so percentage changes are dramatic	

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04A **Direct Loans and Loan Guarantees:**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Text Data

Line No	Question	Answer
1	Basis for recognizing a gain or loss	N/A
2	Nature of modifications	None
3	Restrictions on the use/disposal of foreclosed property	Foreclosed property is to be sold as quickly as practicable either by public sale or private sale (so long as the purchase price is justified by a recent appraisal or other reliable determination of value). The lease of acquired property is discouraged but is allowed if the property cannot be immediately sold and the lease arrangement will serve to maximize recovery and/or protect the value of the asset.
4	Valuation basis for foreclosed property	Foreclosed property is usually valued by a formal appraisal, although a broker's opinion of value can be used where prices can be readily determined because of similar property sales in an active market. Residential values may be established through use of comparable sales information. A "desk valuation" can be made for equipment of a general purpose type such as automotive or office equipment where values are available from general references or common knowledge.
5	Changes from prior year's accounting method, if any	None
6	For significant fluctuations in subsidy rates, provide analysis that explains the underlying causes for the fluctuations (SFFAS No. 18, par. 11)	The FY 2003 restatement includes updated reestimates for all cohorts of regular disaster assistance loans, mainly for the effect of model changes on loan activity prior to FY 2004. Restated FY2003 reestimates were not made for the WTCP loans because that model has not changed since last year. The FY 2004 reestimates show the effect of activity in FY 2004. The regular disaster assistance loans, the total amount of reestimates is due mainly to the initial re-estimate of the FY 2003 cohort. For WTCP loans, reestimates of the 2002 and 2003 cohorts were made for the first time in FY 2004. Reestimates for these programs used the balances approach.

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04A **Direct Loans and Loan Guarantees:**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Text Data

Line No	Question	Answer
7	For significant and measurable effect on subsidy rates, subsidy expenses and subsidy reestimates provide explanation of events and changes in economic conditions, other risk factors, legislation, credit policies and subsidy estimation methodologies a	<p>The purpose of credit subsidy reestimates is to match the net resources for each loan cohort in the financing account with the remaining discounted expected cash flows of that cohort. Credit subsidy reestimates result from: (1) variations between actual and estimated cash flows during the year, including prepayments, defaults or purchases, and recoveries; (2) changes in expectations about future cash flows; (3) changes in the estimated discount rate; and (4) changes in the financial modeling techniques used to approximate the expected performance of a loan cohort. In addition, reestimates may be affected by the approach used.</p> <p>OMB Circular A-11, which guides the credit subsidy reestimate process, authorizes agencies to use either the "traditional approach", or the "balances approach" to reestimates. The traditional approach bases reestimates on both actual past and estimated future loan cash flows, whereas the balances approach compares the balances of resources in the financing account (cash, other assets, and liabilities) with estimated future loan cash flows to assess whether resources are insufficient (require a positive reestimate) or excess (require a negative reestimate). Thus the balances approach goes one step beyond the traditional approach by incorporating cohort-level accounting data, in addition to loan-level transactional data, directly into the reestimate calculation. SBA has historically used the traditional approach to credit subsidy reestimates. This year, SBA used the balances approach to prepare the FY 2004 reestimates and restate the FY 2003 reestimates.</p> <p>Both reestimate approaches will yield similar results, so long as the balance of resources in each program cohort is consistent with actual past loan cash flows for that program cohort, including Treasury interest, and all assumptions in the subsidy models match the actual transactions in the account. For many of SBA's earlier cohorts, however, the balance of resources has not been consistent with past activity, due to incorrect recordation of transactions across sub-programs in the early years of credit reform. For these cohorts, the balances approach reestimates have adjusted the balance of resources to correct for these past recordation errors. These recordation errors affected the recording of activity at the cohort level only; they did not affect the recording of activity at the loan transaction level or the fund level.</p> <p>The balances approach also corrected for discrepancies in the interest transactions with Treasury that affected the fund level. Unlike the traditional approach, the balances approach adjusts for differences between estimated and actual interest paid to or earned from Treasury.</p> <p>Because the reestimate approach has changed since last year and eliminates previous discrepancies that affected the fund level, FY 2003 results have been restated for the revised reestimates.</p>

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04A **Direct Loans and Loan Guarantees:**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Text Data

Line No	Question	Answer
8	For changes in legislation or credit policies include changes in borrowers' eligibility, the levels of fees or interest rates charges to borrowers, the maturity of loan terms, and the percentage of a private loan (SFFAS No. 18, par. 11).	The subsidy rate for new Disaster loans issued in FY 2004 was 11.72%. The interest rate maximum is statutorily fixed at 4% for borrowers not having credit elsewhere and 8% for borrowers having credit elsewhere. There are no fees for Disaster Loans. Eligibility is statutorily defined as the loss suffered by the borrower from declared disasters. The maturity term of Disaster loans is calculated from the repayment amount that is based on the borrower's repayment ability.
9	For changes whose effects are not measurable at the reporting date provide a disclosure that includes events and changes at the reporting date that have occurred and are more likely than not to have a significant impact (SFFAS No. 18, par. 11)	The cost of Disaster loans is affected by the original terms of the loan, such as below-market interest rates, grace periods, and average loan size, as well as deviations from the original terms caused by estimated prepayments, defaults, delinquencies, charge-offs, and recoveries. 16.4% of Disaster loans are expected to fail and recoveries are expected to be 39.0%. N/A

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04B Loan Guarantees
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Closing Package Line Description		Acct		2004 - Q4YTD	2003 - Q4YTD	Rounding Method: Thousands	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Decimal: Zero	
4	Small Business Loans	2,524,052	2,541,530	2,548,963	-7,433		
13							
14							
15							
16							
17	Other Loan Guarantees						
	Total	-2,524,052	-2,541,530	-2,548,963	-7,433		

Tab: Other Notes Info.

Section: A		Section Name: Other Related Information			Rounding Method: Thousands		Decimal: Zero		
Line No	Line Description	CY Face Value of Loans Outstanding	PY Face Value of Loans Outstanding	CY Amount Guaranteed by the Government	PY Amount Guaranteed by the Government	CY Loans Disbursed	PY Loans Disbursed	Line Attributes	NB
4	Small Business Loans	67,499,270	63,651,619	56,447,407	53,366,184	15,267,177	13,182,813	Dollars	Credit
13								Dollars	Credit
14								Dollars	Credit
15								Dollars	Credit
16								Dollars	Credit
17	Other Loan Guarantees							Dollars	Credit
Threshold									
Line Description		Question				Answer			
Other Notes Info - Small Business Loans (CY Loans Disbursed)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.				Increased Activity in program			

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Fiscal Year: 2004

Period: Q4YTD

Note: 04B Loan Guarantees

Entity: 7300 Small Business Administration

Status: Complete

Tab: Other Notes Info.

Section: B	Section Name: Reconciliation of Loan Guarantee Liability Balances	Rounding Method: Thousands	Decimal: Zero				
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Beginning balance of the loan guarantee liability	2,536,065	1,233,403	1,233,403,000	-1,232,169,597	Dollars	Credit
2	Interest supplement costs					Dollars	Debit
3	Default costs (net of recoveries)	420,817	398,266	398,266,000	-397,867,734	Dollars	Debit
4	Fees and other collections	-309,146	-275,806	-275,806,000	275,530,194	Dollars	Credit
5	Other subsidy costs	-5,077	-8,644	-8,644,000	8,635,356	Dollars	Debit
6	Total of the above subsidy expense components	106,594	113,816	113,816,000	-113,702,184	Dollars	Debit
7	Loan guarantee modifications					Dollars	Credit
8	Fees received					Dollars	Credit
9	Interest supplements paid					Dollars	Debit
10	Foreclosed property and loans acquired					Dollars	Debit
11	Claim payments to lenders					Dollars	Debit
12	Interest accumulation on the liability balance					Dollars	Debit
13	Other Loan Guarantees	-869,478	-1,362,369	378,603,000	-379,965,369	Dollars	Debit
14	Ending balance of the loan guarantee before reestimates	1,773,181	-15,150	492,419,000	-492,434,150	Dollars	Credit
15	Interest rate reestimate					Dollars	Debit
16	Technical/default reestimate	744,547	2,551,215	2,051,080,000	-2,048,528,785	Dollars	Debit
17	Total of the above reestimate	744,547	2,551,215	2,543,499,000	-2,540,947,785	Dollars	Debit

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04B Loan Guarantees

Fiscal Year: 2004

Period: Q4YTD

Entity: 7300 Small Business Administration

Status: Complete

Tab: Other Notes Info.

Section: B		Section Name: Reconciliation of Loan Guarantee Liability Balances		Rounding Method: Thousands		Decimal: Zero			
components									
18	Ending balance of loan guarantee liability	2,517,728	2,536,065	2,536,065		Dollars	Debit		
Threshold									
Line Description		Question		Answer					
Other Notes Info - Beginning balance of the loan guarantee liability (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.		Subsidy reestimate process					
Other Notes Info - Ending balance of the loan guarantee before reestimates (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.		Subsidy reestimate process					
Other Notes Info - Technical/default reestimate (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.		Subsidy reestimate process					
Other Notes Info - Total of the above reestimate components (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.		Subsidy reestimate process					
Section: C									
Section Name: Subsidy Rates for Loan Guarantees									
Line No	Line Description	CY Interest Supplements	PY Interest Supplements	CY Defaults	PY Defaults	CY Fees and other collections	PY Fees and other collections	Line Attributes	NB
4	Small Business Loans							Percent	N/A
13	7(a)	.0000	.0000	3.4600	3.5200	-2.4000	-2.4800	Percent	N/A
14	504 Debentures	.0000	3.0200	2.5400	.0000	-5.5300	-5.6100	Percent	N/A
15	SBIC SBIC Debentures	.0000	.0000	9.6000	9.4500	-3.0800	-3.0800	Percent	N/A
16	Microloan	.0000	.0000	1.8700	1.8200	.0000	.0000	Percent	N/A
17	SBIC New Markets	.0000	.0000	16.0500	15.4600	.0000	.0000	Percent	N/A
Line Line Description		CY Other	PY Other	CY Total	PY Total			Line Attributes	NB
4	Small Business Loans							Percent	N/A
13	7(a)	.0000	.0000	1.0600	1.0400			Percent	N/A
14	504 Debentures	2.9900	2.5900	.0000	.0000			Percent	N/A
15	SBIC SBIC	-6.5200	-6.3700	.0000	.0000			Percent	N/A

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04B Loan Guarantees
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: C Section Name: Subsidy Rates for Loan Guarantees

Debtentures	6.7900	6.6000	8.6600	8.4200	Percent	N/A
16 MicroLoan	.0000	.0000	16.0500	15.4600	Percent	N/A
17 SBIC New Markets						

Section: D Section Name: Foreclosed Assets - Units

Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Number of properties in the foreclosure process	2.0000	2.0000		2.0000	Units	N/A
2	Number of properties held	32.0000	32.0000		32.0000	Units	N/A
3	Average holding period for properties held	723.0000	525.0000		525.0000	Units	N/A

Threshold

Question

Answer

Other Notes Info - Average holding period for properties held (2004 - Q4YTD)

Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.

Small inventory subject to dramatic swings due to timing of a few transactions

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04B **Loan Guarantees**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004**Period:** Q4YTD**Tab: Other Notes Info.**

Section: E		Section Name: Foreclosed Assets - Balances			Rounding Method: Thousands		Decimal: Zero	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB	
1	Balances for property held Pre 1992	825	1,227	1,227,000	-1,225,773	Dollars	Debit	
2	Balances for property held Post 1991	6,294	13,091	13,091,000	-13,077,909	Dollars	Debit	
Threshold								
Line Description		Question		Answer				
Other Notes Info - Balances for property held Pre 1992 (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.		This is a small dollar amount compared to the size of the program so small changes mean larger percentage changes.				
Other Notes Info - Balances for property held Post 1991 (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.		Small inventory subject to dramatic percentage shifts because it is so small relative to the agencies overall activity.				

Tab: Text Data

Line No	Question	Answer
1	Describe the restrictions on the use/disposal of foreclosed property.	Foreclosed property is to be sold as quickly as practicable either by public sale or private sale (so long as the purchase price is justified by a recent appraisal or other reliable determination of value). The lease of acquired property is discouraged but is allowed if the property cannot be immediately sold and the lease arrangement will serve to maximize recovery and/or protect the value of the asset.
2	Describe the valuation basis for foreclosed property.	Foreclosed property is usually valued by a formal appraisal, although a broker's opinion of a value can be used where prices can be readily determined because of similar property sales in an active market. Residential values may be established through use of comparable sales information. A "desk valuation" can be made for equipment of a general purpose type such as automotive or office equipment where values are available from general references or common knowledge
3	Disclose any changes from prior year's accounting method for foreclosed assets.	None

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

11/18/2004 11:51:20

Note: 04B **Loan Guarantees**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Text Data

Line No	Question	Answer
4	Provide an analysis that explains the underlying causes for the significant fluctuations in subsidy rates.	<p>The largest estimate in FY 2004 was for the SBIC Participating Securities program. This program provides equity financing to the venture capital industry, which has experienced a substantial economic downturn in recent years. The downturn has increased actual and expected defaults and reduced actual and expected recoveries in this program. The SBIC Debentures program which finances less risky subordinated debt to the venture capital industry, was also impacted by the downturn in this industry but to a lesser extent. FY 2003 results have been restated for the revised reestimates using these revised assumptions with the balances approach.</p> <p>The reestimate in the 7(a) Program reflects program changes as well as a model correction, which increased the estimated purchase of accrued interest net of recoveries. This new model was used for both the FY 2004 and the restated FY 2003 reestimates with the balances approach. The continued growth in the volume of SBA 7(a) Express loans, which have a lower default risk, is the primary program change that also impacted the FY 2004 and FY 2003 restated reestimates.</p> <p>In FY 2004, SBA created a new econometric model for estimating and reestimating subsidy costs in the 504 Debentures program. It also increased the estimated recovery rate for this program. This new model was used for both the FY 2004 and the restated FY 2003 reestimates with the balances approach.</p> <p>The reestimate for the Secondary Market Guarantee program is primarily affected by differences in the actual versus the estimated spread between the Treasury Rates and the prime rate. The FY 2003 reestimate has been restated using a revised model that more accurately reflects estimated short-term interest earnings. Both the FY 2004 and the restated FY 2003 reestimates used the balances approach.</p>

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04B Loan Guarantees
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004 **Period:** Q4YTD

Tab: Text Data

Line No	Question	Answer
5	Provide an explanation of events and changes in economic conditions, other risk factors, legislation, credit policies and subsidy estimation methodologies and assumptions for significant and measurable effect on subsidy rates, subsidy expenses and su	<p>The purpose of credit subsidy reestimates is to match the net resources for each loan cohort in the financing account with the remaining discounted expected cash flows of that cohort. Credit subsidy reestimates result from: (1) variations between actual and estimated cash flows during the year, including prepayments, defaults or purchases, and recoveries; (2) changes in expectations about future cash flows; (3) changes in the estimated discount rate; (4) changes in the financial modeling techniques used to approximate the expected performance of a loan cohort. In addition, reestimates may be affected by the approach used.</p> <p>OMB Circular A-11, which guides the credit subsidy reestimate process, authorizes agencies to use either the "traditional approach" or the "balances approach" to reestimates. The traditional approach bases reestimates on both actual past and expected future loan cash flows, whereas the balances approach compares the balances of resources in the financing account (cash, other assets, and liabilities) with estimated future loan cash flows to assess whether resources are insufficient (require a positive reestimate) or excess (require a negative reestimate). Thus the balance approach goes one step beyond the traditional approach by incorporating cohort-level accounting data, in addition to loan-level transactional data, directly into the reestimate calculation. SBA has historically used the traditional approach to credit subsidy reestimates. This year, SBA used the balances approach to prepare the FY 2004 reestimates and restate the FY 2003 reestimates.</p> <p>Both reestimate approaches will yield similar results, so long as the balance of resources in each program cohort is consistent with actual past loan cash flows for that program cohort, including Treasury interest, and all assumptions in the subsidy models match the actual transactions in the account. For many of SBA's earlier cohorts, however, the balance of resources has not been consistent with past activity, due to incorrect recordation of transactions across sub-programs in the early years of credit reform. For these cohorts, the balances approach reestimates have adjusted the balance of resources to correct for these past recordation errors. These recordation errors affected the recording of activity at the cohort level only; they did not affect the recording of activity at the loan transaction level or the fund level.</p> <p>The balances approach also corrected for discrepancies in the interest transactions with Treasury that affected the fund level. Unlike the traditional approach, the balances approach adjusts for differences between estimated and actual interest paid to or earned by Treasury.</p> <p>Because the reestimate approach has changed since last year and eliminates previous discrepancies that affected the fund level, FY 2003 results have been restated for the revised reestimates.</p>

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 04B Loan Guarantees
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004 **Period:** Q4YTD

Tab: Text Data

Line No	Question	Answer
6	Provide the changes in borrowers' eligibility, the levels of fees or interest rate charges to borrowers, the maturity of loan terms, and the percentage of a private loan for changes in legislation or credit policies (SFFAS No. 18, par. 11)	<p>The subsidy rate for the 7(a) Program is principally affected by estimated fees, defaults or purchases, and recoveries. The annual fee was raised and other program changes were made on April 5, 2004, which lowered the subsidy rate for the program for the remainder of the year (1.06% to .58%). Upfront guarantee fees increased .5% for large loans over \$1 million; the ongoing servicing fee increased (.25% to .36%) on all new loans. The maximum SBA guarantee amount was increased to \$1.5 million and the maximum loan amount was increased to \$2 million.</p> <p>Each fiscal year, the on-going guaranty fee paid by 504 borrowers to SBA under 13 CFR 120.971(d)(2) is adjusted as part of the fee structure required to cover the costs of the 504 Program associated with loan defaults, and to keep the 504 Program at a zero subsidy rate. For loans approved in FY2004 the fee was .393 of one percent.</p> <p>The subsidy rate for new SBIC Participating Securities in FY2004 was maintained at a 0% with very slight change in the annual fee (1.311% to 1.454%), while the upfront disbursement fee remained at 2.00%. Subsidy costs, however, were reestimated substantially upward during FY2004 as a result of increased defaults (and reduced recoveries) from the economic downturn that affected the venture capital industry. Substantial increases in the fees will apply to new securities issuances in FY 2005 as a result.</p> <p>The subsidy rate for the SBIC Debentures in FY 2005 was also maintained at 0% rate, and the disbursement and annual fees were practically unchanged at 2.00% and .855% respectively. The economic downturn did not affect SBIC debenture losses nearly as much and the upward reestimate of subsidy cost was very modest in comparison.</p>
7	Provide a disclosure that includes events and changes at the reporting date that have occurred and are more likely than not to have a significant impact for changes whose effects are not measurable at the reporting date. (SFFAS No. 18, par. 11)	

Period: Q4YTD

Status: Complete

Closing Package Line Description		Acct	2004 - Q4YTD		2003 - Q4YTD		Rounding Method: Thousands	
Inventory and Related Property	NB Type	D	A	0	0	0	Decimal: Zero	
	Variance							
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes			
1	Inventory purchased for sale							
2	Inventory held in reserve for future sale to the public							
3	Inventory held for repair							
4	Inventory - excess, obsolete, and unserviceable							
5	Operating materials and supplies held for use							
6	Operating materials and supplies held in reserve for future use							
7	Operating materials and supplies excess, obsolete, and unserviceable							
8	Stockpile materials							
9	Stockpile materials held for sale							
10	Forfeited property							
11	Other related property							
12	Total allowance for inventories and related property							
	Total							

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 06 Inventories and Related Property
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: A		Section Name: Inventory - Other Information		No Data Flag: YES	Rounding Method: User-Defined	Decimal: User-Defined		
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes		Line Attributes	NB
1	Difference between stockpile material carrying amount and estimated selling price						Dollars	Debit
2	Difference between excess, obsolete, or unserviceable material carrying amount and estimated selling price						Dollars	Debit
3	Amount of inventory revalued by holding gains and losses						Dollars	Debit
4	Seized property						Dollars	Debit
Section: B		Section Name: Seized Property: Analysis of change in dollar value		No Data Flag: YES	Rounding Method: User-Defined	Decimal: User-Defined		
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes		Line Attributes	NB
1	Beginning of year						Dollars	Debit
2	Seized during the year						Dollars	Debit
3	Disposed of during the year						Dollars	Debit

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

11/18/2004 11:53:58

Note: 06 Inventories and Related Property
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: C		Section Name: Seized property: Number of seized property		No Data Flag: YES	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes
1	Beginning of year				
2	Seized during the year				
3	Disposed of during the year				
Section: D		Section Name: Forfeited Property - Analysis of change in dollar value		No Data Flag: YES	
				Rounding Method: User-Defined	
				Decimal: User-Defined	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes
1	Beginning of year				
2	Additions during the year				
3	Disposed of during the year				
Section: E		Section Name: Forfeited Property : Number of forfeitures		No Data Flag: YES	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes
1	Beginning of year				
2	Additions during the year				
3	Disposed of during the year				

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 06 Inventories and Related Property
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: F		Section Name: Goods Held under price support and stabilization programs: Change in Dollar Value (SFFAS No. 3, par. 108-109)		No Data Flag: YES	Rounding Method: User-Defined	Decimal: User-Defined	
Line Line Description No	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB	
1 Beginning of year					Dollars	Debit	
2 Acquired during the year					Dollars	Debit	
3 Disposed of during the year					Dollars	Debit	
Section: G		Section Name: Goods held under price support and stabilization programs: Volume of goods		No Data Flag: YES			
Line Line Description No	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB	
1 Beginning of year					Units	N/A	
2 Acquired during the year					Units	N/A	
3 Disposed of during the year					Units	N/A	
Section: H		Section Name: Goods held under price support and stabilization programs: Other information		No Data Flag: YES	Rounding Method: User-Defined	Decimal: User-Defined	
Line Line Description No	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB	
1 Estimate to be donated or transferred, received as a result of surrender of collateral related to nonrecourse loans					Dollars	Debit	
2 Goods received as a result of surrender of					Dollars	Debit	

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 06 Inventories and Related Property
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: H		Section Name: Goods held under price support and stabilization programs: Other information		No Data Flag: YES	Rounding Method: User-Defined	Decimal: User-Defined	
collateral related to nonrecourse loans outstanding							
3 Dollar value of purchase commitments						Dollars	Debit
4 Contingent loss if it is at least reasonably possible						Dollars	Debit
Section: I		Section Name: Forfeited property by type		No Data Flag: YES	Rounding Method: User-Defined	Decimal: User-Defined	
Line Line Description No		2004 - Q4YTD 2003 - Q4YTD		Previously Rptd	Line Item Changes	Line Attributes	NB
1 Estimates of value to be distributed to other Federal agencies or State and local governments						Dollars	Debit
Section: J		Section Name: Goods held under price support and stabilization programs: Volume		No Data Flag: YES			
Line Line Description No		2004 - Q4YTD 2003 - Q4YTD		Previously Rptd	Line Item Changes	Line Attributes	NB
1 Volume of purchase commitments						Units	N/A

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

11/18/2004 11:53:58

Note: 06 Inventories and Related Property
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Text Data **No Data Flag: YES**

Line No	Question	Answer
1	Enter the following information as it relates to inventory by each category (SFFAS No. 3): Method used to calculate allowance	
2	Enter the following information as it relates to inventory by each category (SFFAS No. 3): Restrictions on inventory	
3	Enter the following information as it relates to inventory by each category (SFFAS No. 3): Changes from prior year's accounting method, if any	
4	Enter the following information as it relates to inventory by each category (SFFAS No. 3): Basis for valuation	
5	Enter the following information as it relates to inventory by each category (SFFAS No. 3): Decision criteria for categorizing inventory	
6	Enter the following information as it relates to inventory by each category (SFFAS No. 3): Any changes in criteria for categorizing inventory	
7	Enter the following information as it relates to seized property by type or method of disposal (SFFAS No. 3 par. 66): What constitutes a seizure?	
8	Enter the following information as it relates to seized property by type or method of disposal (SFFAS No. 3 par. 66): General description of seized property	
9	Enter the following information as it relates to seized property by type or method of disposal (SFFAS No. 3 par. 66): Method of disposal	
10	Enter the following information as it relates to seized property by type or method of disposal (SFFAS No. 3 par. 66): Liens or other claims against property	
11	Enter the following information as it relates to forfeited property by type (SFFAS No. 3, par. 71 and 78): Method of disposition	
12	Enter the following information as it relates to forfeited property by type (SFFAS No. 3, par. 71 and 78): Restrictions on use of distribution	
13	Enter the following information as it relates to goods held under price support and stabilization programs (SFFAS No. 3, par. 108-109): Basis for valuing commodities including method and cost flow assumption	
14	Enter the following information as it relates to goods held under price support and stabilization programs (SFFAS No. 3, par. 108-109): Changes from prior year's accounting method, if any	
15	Enter the following information as it relates to goods held under price support and stabilization programs (SFFAS No. 3, par. 108-109): Restrictions on the use, disposal or sale	

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 07 **Property, Plant, and Equipment**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Line No	Line Description	Acct		2004 - Q4YTD	2003 - Q4YTD	Line Item Changes
		NB	Type			
	Closing Package Line Description	D	A	19,789	8,522	
	Property, Plant and Equipment	Variance		0	0	
						Rounding Method: Thousands
						Decimal: Zero
1	Buildings, structures, and facilities					
2	Furniture, fixtures, and equipment					
3	Construction in progress			18,829	4,870	4,870
4	Land					
5	Automated data processing software			9,573	9,191	-4,870
6	Assets under capital lease				14,061	
7	Leasehold improvements					
8	Other property, plant, and equipment					
9	Less: Accumulated depreciation, depletion, and amortization			-8,613	-5,539	0
	Total			19,789	8,522	0

Threshold**Line Description****Question****Answer**

Line Item Notes - Construction in progress (2004 - Q4YTD)

Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.

Additional Software Capitalized during 2004

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 07 **Property, Plant, and Equipment**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: A		Section Name: Accumulated Depreciation/Amortization		Rounding Method: Thousands		Decimal: Zero	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Buildings, structures, and facilities					Dollars	Credit
2	Furniture, fixtures, and equipment					Dollars	Credit
3	Automated data processing software	8,613	5,539	5,539	0	Dollars	Credit
4	Assets under capital lease					Dollars	Credit
5	Leasehold improvements					Dollars	Credit
6	Other property, plant and equipment					Dollars	Credit
Threshold							
Line Description		Question		Answer			
Other Notes Info - Automated data processing software (2004 - Q4YTD)		Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.		Increased by amount of 2004 depreciation			
Section: B		Section Name: Depreciation Expense and Net Gains, Losses, Deletions, Revaluations and Stewardship Reclass		Rounding Method: Thousands		Decimal: Zero	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Depreciation Expense	3,074	3,018	3,028	-10	Dollars	Debit
2	Net Gains and Losses					Dollars	Debit
3	Deletions					Dollars	Debit
4	Revaluations					Dollars	Debit
5	Stewardship Reclassifications					Dollars	Debit

U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report

Note: 07 Property, Plant, and Equipment
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: C		Section Name: Estimated Useful Life					
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Building, structures, and facilities					Units	N/A
2	Furniture, fixtures, and equipment					Units	N/A
3	Construction in progress					Units	N/A
4	Land					Units	N/A
5	Automated data processing software	5.0000	5.0000	3.0000	2.0000	Units	N/A
6	Assets under capital lease					Units	N/A
7	Leashold improvements					Units	N/A
8	Other property, plant, and equipment					Units	N/A
9	If useful life is a range, please enter info. on Text Data tab					Units	N/A
Section: D		Section Name: Capitalization Threshold					
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Buildings, structures, and facilities	50.000	50.000		50.000	Dollars	Debit
2	Furniture, fixtures, and equipment	50.000	50.000		50.000	Dollars	Debit
3	Construction in progress	50.000	50.000		50.000	Dollars	Debit
4	Land	50.000	50.000		50.000	Dollars	Debit
5	Automated data processing	250.000	250.000	250.000	0	Dollars	Debit

Rounding Method: Thousands

Decimal: Zero

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 07	Property, Plant, and Equipment	Fiscal Year: 2004	Period: Q4YTD
Entity: 7300	Small Business Administration		
Status: Complete			

Tab: Other Notes Info.

Section: D	Section Name: Capitalization Threshold	Rounding Method: Thousands	Decimal: Zero
software			
6 Assets under capital lease	50,000	50,000	Dollars Debit
7 Leashold improvements	50,000	50,000	Dollars Debit
8 Other property, plant, and equipment	50,000	50,000	Dollars Debit

Tab: Text Data

Line No	Question	Answer
1	Provide the method of amortization and depreciation for each category/class of property, plant, and equipment (SFFAS No. 6, par 45, 94-98, 107-111, and 118).	Straight line
2	Explain any changes from prior year's capitalization threshold, if any for each category/class of property, plant, and equipment (SFFAS No. 6, par 45, 94-98, 107-111, and 118).	None
3	Disclose any restrictions on the use or convertibility of general property, plant, and equipment, if any, for each category/class of property, plant and equipment (SFFAS No. 6, par 45, 94-98, 107-111, and 118).	None

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 08 **Other Assets**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Closing Package Line Description		Acct		2004 - Q4YTD	2003 - Q4YTD	Rounding Method: Thousands	
Other Assets		NB	Type			Decimal: Zero	
		D	A	0	0		
		Variance		0	0		
Line No	Line Description	2004 - Q4YTD		2003 - Q4YTD	Previously Rptd	Line Item Changes	
1	Advances and prepayments						
2	Securities and investments						
3	Other Assets						
Total							

Tab: Other Notes Info.**Tab: Text Data**

No Data Flag: YES

Line No	Question	Answer
1	Provide a description and related amounts for balances that exceed \$1 billion in the line titled "other" on the tab labeled "Line Item Notes".	

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 09 **Accounts Payable**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Closing Package Line Description		Acct	2004 - Q4YTD		2003 - Q4YTD	Rounding Method: Thousands	
Accounts Payable		NB Type	C	L	33,894	49,648	Decimal: Zero
		Variance		0		0	

Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes
1	End of year balance	33,894	49,648	49,648	0
	Total	-33,894	-49,648	-49,648	0

Threshold**Line Description****Question****Answer**

Line Item Notes - End of year balance (2004 - Q4YTD)

Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.

Is due to decrease in miscellaneous payables

Tab: Other Notes Info.

U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report

11/18/2004 11:56:56

Note: 10B Treasury securities held by the Government trust, revolving, and special funds
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Closing Package Line Description		Acct	NB		Rounding Method:	
NONE		Type	Variance		Thousands	Decimal:
			0		0	Zero

Line No **Line Description** _____

Tab: Other Notes Info.

Section: A		Section Name: Investments in Federal Debt securities		No Data Flag: YES	Rounding Method: User-Defined	Decimal: User-Defined
Line No	Line Description	Investments in Federal debt securities-par	Unamortized discounts	Unamortized prem	Line Attributes	
16	All other programs and funds				Dollars	Debit

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 11 **Federal Employee and Veteran Benefits Payable**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Closing Package Line Description		Acct		2004 - Q4YTD	2003 - Q4YTD	Rounding Method:
		NB	Type			Thousands
Federal Employee and Veteran Benefits Payable		C	L	28,436	31,822	Decimal: Zero
		Variance		0	0	

Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes
1	Pension				
2	Post-retirement health benefits				
3	Veteran's compensation and burial benefits				
4	Liability for other benefits	28,436	31,822	31,822	0
Total		-28,436	-31,822	-31,822	0

Threshold

Line Description

Question

Answer

Line Item Notes - Liability for other benefits (2004 - Q4YTD)
Please provide explanations for any amounts that have changed by 10% or more between the current fiscal year and the prior fiscal year.

FECA liability decreased in 04

Tab: Other Notes Info.

Section: A **Section Name:** Pension Liability-To be completed for the amount entered for pension in the "Line Item Notes" tab **No Data Flag:** YES **Rounding Method:** Thousands **Decimal:** Zero

Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Actuarial accrued pension liability - beginning of period					Dollars	Credit
2	Adjustments to beginning balance					Dollars	Credit
3	Plan amendment liability					Dollars	Credit
4	Assumption change liability					Dollars	Credit
5	Normal costs					Dollars	Credit
6	Interest on liability					Dollars	Credit
7	Prior (or past)					Dollars	Credit

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 11 Federal Employee and Veteran Benefits Payable

Fiscal Year: 2004

Period: Q4YTD

Entity: 7300 Small Business Administration

Status: Complete

Tab: Other Notes Info.

Section: A		Section Name: Pension Liability-To be completed for the amount entered for pension in the "Line Item Notes" tab		No Data Flag: YES	Rounding Method: Thousands	Decimal: Zero		
service cost							Dollars	Credit
8 Actuarial (gains)/losses							Dollars	Credit
9 Total pension expense							Dollars	Debit
10 Less: benefits paid							Dollars	Credit
11 Actuarial accrued pension liability - end of period								
Section: B		Section Name: Pension Liability Significant Assumptions		No Data Flag: YES				
Line Line Description No		2004 - Q4YTD	2003 - Q4YTD			Line Attributes	NB	
1 Rate of interest						Percent	N/A	
2 Rate of inflation						Percent	N/A	
3 Projected salary increases						Percent	N/A	
Section: C		Section Name: To be completed for the amount entered for Post Retirement Health Benefits:		No Data Flag: YES	Rounding Method: Thousands	Decimal: Zero		
Line Line Description No		2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB	
1 Actuarial accrued post-retirement health benefits liability - beginning of period						Dollars	Credit	
2 Adjustments to beginning balance						Dollars	Credit	
3 Normal costs						Dollars	Credit	
4 Interest on liability						Dollars	Credit	

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 11 Federal Employee and Veteran Benefits Payable
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: C		Section Name: To be completed for the amount entered for Post Retirement Health Benefits:		No Data Flag: YES	Rounding Method: Thousands	Decimal: Zero	
5	Actuarial (gains)/losses						Dollars Credit
6	Total post-retirement health benefits expense						Dollars Credit
7	Less: claims paid						Dollars Debit
8	Actuarial accrued post-retirement health benefits liability - end of period						Dollars Credit
Section: D		Section Name: Post Retirement Health Significant Assumptions		No Data Flag: YES			
Line Line Description No		2004 - Q4YTD	2003 - Q4YTD				Line NB
1	Rate of interest						Attributes Percent N/A
2	Rate of health care cost inflation						Percent N/A
Section: F		Section Name: Other Related Information		No Data Flag: YES	Rounding Method: Thousands	Decimal: Zero	
Line Line Description No		2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes		Line NB
1	Non-marketable Treasury securities held by Thrift Savings Plan (TSP) Fund						Attributes Dollars Debit
2	Market value of pension of other retirement and benefits (ORB)						Dollars Debit

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 11	Federal Employee and Veteran Benefits Payable	Fiscal Year: 2004	Period: Q4YTD
Entity: 7300	Small Business Administration		
Status: Complete			

Tab: Other Notes Info.

Section: F	Section Name: Other Related Information	No Data Flag: YES	Rounding Method: Thousands	Decimal: Zero
investments and other market-based and market securities				

Tab: Text Data**No Data Flag:** YES

Line No	Question	Answer
1	Provide the following information as it related to future policy benefits for Whole Life Insurance (SFFAS No. 5, par 117 and 121), Components of liability for future benefits, explanation of its projected use, and any other potential use.	
2	For pension plans that differ from the Civil Service Retirement System (CSRS), the Federal Employee Retirement System (FERS), and the Military Retirement System (MRS), describe assumptions used (SFFAS 5, par 67)	
3	Provide the long-term projection (25 years) of the significant assumptions used in determining pension liability and the related expense.	
4	Provide the long-term projection (25 years) of the significant assumptions used in determining the post-retirement health benefits liability and the related expense.	

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 12 Environmental and Disposal Liabilities

Entity: 7300 Small Business Administration

Fiscal Year: 2004

Period: Q4YTD

Status: Complete

Tab: Line Item Notes

Closing Package Line Description									
Environmental and Disposal Liabilities									
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Acct		NB	
						C	L	Type	
1								2004 - Q4YTD	2003 - Q4YTD
2								0	0
3								0	0
4								0	0
5								0	0
6								0	0
	Other Environmental and Disposal Liabilities								
	Total								

Tab: Other Notes Info.

Section: A		Section Name: Other Related Information		No Data Flag: YES		Rounding Method: Thousands		Decimal: Zero	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line NB		Attributes	
1	Amount of operating and capital expenditures used to remediate legacy waste							Dollars	Debit
2	Unrecognized portion of estimated total cleanup costs associated with general property, plant, and equipment							Dollars	Debit
3	Estimated cleanup costs when general property, plant and							Dollars	Debit

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 12	Environmental and Disposal Liabilities	Fiscal Year: 2004	Period: Q4YTD
Entity: 7300	Small Business Administration		
Status: Complete			

Tab: Other Notes Info.

Section: A	Section Name: Other Related Information	No Data Flag: YES	Rounding Method: Thousands	Decimal: Zero	
equipment is placed into service					
4 Changes in total estimated cleanup costs due to changes in law and technology					Dollars Debit
5 Portion of the change in estimated costs due to changes in law and technology that is related to prior periods					Dollars Debit

Tab: Text Data

No Data Flag: YES

Line No	Question	Answer
1	Describe the method for assigning estimated cleanup cost to operating periods	
2	Provide the formulation of estimates regarding possible changes to cleanup costs due to inflation, deflation, technology, or applicable laws and regulations	
3	List the applicable laws and regulations covering cleanup requirements	
4	Provide a description of type of environmental and disposal liabilities identified.	

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

11/18/2004 11:59:07

Note: 13 Benefits Due and Payable
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Closing Package Line Description	Benefits Due and Payable	Acct NB Type	2004 - Q4YTD	2003 - Q4YTD	Rounding Method: Thousands	Decimal: Zero
9	Other Benefits Due and Payable							C	0	0		
10								L	0	0		
11								Variance	0	0		
12												
	Total											

Tab: Other Notes Info.

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 14 **Other Liabilities**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Line Item Notes

Line No	Line Description	2004 - Q4YTD	Acct		2004 - Q4YTD	2003 - Q4YTD	Rounding Method: Thousands
			NB	Type			
	Closing Package Line Description		C	L	102,615		Decimal: Zero
	Other Liabilities		Variance		0	0	
			Previously Rptd				
			Line Item Changes				
1	Insurance programs						
2	Deferred revenue						
3	Accrued wages and benefits	32,518			33,047		0
5	Other debt						
7	Deposited funds and undeposited collections						
8	Advances from foreign government						
9	Contractual services						
11	Advances from others				502	502	0
12	Capital lease liability						
13	Accrued grant liability				39,700	39,700	0
14	Carriers claim payable	46,520					
15	Federal aid highway grant accruals						
16	Nuclear waste fund						
17	Other Liabilities	23,577			34,842	67,039	-32,197
18							
19							
20							
21							
	Total	-102,615			-108,091	-140,288	-32,197

Threshold**Line Description****Question****Answer**

Line Item Notes - Accrued grant liability (2004 - Q4YTD)

Please provide explanations for any amounts that have changed by 10 percent or more between the current fiscal year and prior fiscal year.

Increase in Accruals

U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report

11/18/2004 11:59:54

Note: 14 Other Liabilities
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Tab: Text Data

No Data Flag: YES

Line No	Question	Answer
1	Provide a description and related amounts for balances that exceed \$2 billion for line items where amounts were entered on lines 18 - 21 on the tab titled "Line Item Notes".	

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 16 **Prior-Period Adjustments**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004**Period:** Q4YTD**Tab: Other Notes Info.**

Section: A		Section Name: Prior Period Adjustments		No Data Flag: YES	Rounding Method: Thousands	Decimal: Zero		
Line No	Line Description	2004 - Q4YTD					Line NB	Attributes
1	Amounts that adjusted CY beginning net position - for change in accounting principles							
2	Amounts that adjusted CY beginning net position - for correction of errors in PP not restated							
							Dollars	Credit

Tab: Text Data

Line No	Question	Answer
1	Describe the adjustments to beginning net position that resulted from changes in accounting principles and all corrections of errors that were not restated.	None

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 16	Prior-Period Adjustments	Fiscal Year: 2004	Period: Q4YTD
Entity: 7300	Small Business Administration		
Status: Complete			

Tab: Text Data

Line No	Question	Answer
2	List the line items that were restated and the amount they were restated by, for all corrections of errors restated.	<p>Balance Sheet</p> <p>Assets - Public and Other</p> <p>Credit Program Receivables -767,738</p> <p>Intragovernmental Liabilities</p> <p>Accounts Payable 2</p> <p>Other Liabilities 219,012</p> <p>Liabilities - Public and Other</p> <p>Liabilities for Loan Guarantees -7,433</p> <p>Other -32,197</p> <p>Unexpended Appropriations -273,500</p> <p>Cumulative Results of Operations -673,622</p> <p>Statement of Net Cost</p> <p>Gross Costs 1,163,286</p> <p>Earned Revenue 385,709</p> <p>Net Cost 777,577</p>
3	Describe the corrections of error that were restated.	<p>Changes in Net Position</p> <p>Beginning Net Position 151,575</p> <p>Other Financing Sources</p> <p>Transfers in/out w/o reimbursement -321,120</p> <p>Net Cost of Operations 777,577</p> <p>1 Subsidy Reestimates - The SBA used a new subsidy model methodology for the FY 2004 reestimate of the cost of it's Business and Disaster loans made since FY1992. The new model uses the "Balances Approach," that provides an improved estimate of the cost of SBA's credit programs.</p> <p>During FY 2004 it was determined that the Modification Adjustment Transfer related to the SBA's sale of Business and Disaster loans in FY 2003 was unneeded because the original Treasury interest discount rates, not current market rates, were used to determine the cost of SBA's loan sale program. The FY03 MAT entry has been reversed and the restated FY03 subsidy reestimates correctly include the cost of the SBA's loan sale program.</p> <p>2. Deferred Interest</p> <p>The SBA determined that it was recording noncurrent interest incorrectly.</p>

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 17 Contingencies
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: A		Section Name: Insurance, civil litigation, and environmental litigation		Rounding Method: Thousands		Decimal: Zero	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1	Insurance contingencies					Dollars	Credit
2	Civil litigation, claims, and assessments	0	0	5,090,000	-5,090,000	Dollars	Credit
3	Environmental litigation, claims, and assessments					Dollars	Credit
Section: B		Section Name: Insurance in force		No Data Flag: YES		Rounding Method: User-Defined	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1						Dollars	Credit
2						Dollars	Credit
3						Dollars	Credit
4						Dollars	Credit
5						Dollars	Credit
Section: C		Section Name: Other contingencies		No Data Flag: YES		Rounding Method: User-Defined	
Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Previously Rptd	Line Item Changes	Line Attributes	NB
1						Dollars	Credit
2						Dollars	Credit
3						Dollars	Credit
4						Dollars	Credit
5						Dollars	Credit

U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report

Note: 17 Contingencies
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Text Data

Line No	Question	Answer
1	Provide the range of loss for probable liabilities (SFFAS No. 5, par. 39).	None
2	Provide the range of loss for reasonably possible contingencies (SFFAS No. 5, par. 40-41).	Up to 35 million
3	Provide the nature for each contingency you entered in sections A, B and C.	Contract Claims and Litigation
4	Provide a statement if the estimate of loss cannot be made.	N/A
5	Provide a description of the risk insurance programs that you have in force.	None

U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report

Note: 18		Commitments		Fiscal Year: 2004		Period: Q4YTD	
Entity: 7300		Small Business Administration					
Status: Complete							
Tab: Other Notes Info.							
Section: A		Section Name: Capital leases		No Data Flag: YES		Rounding Method: User-Defined	
Decimal: User-Defined							
Line Line Description No	CY Federal	CY Non-Federal	PY Federal	PY Non-Federal	Line Attributes NB		
1					Dollars Credit		
2					Dollars Credit		
3					Dollars Credit		
4					Dollars Credit		
5					Dollars Credit		
6	Accumulated depreciation/amortization					Dollars Debit	
7	Net assets under capital leases					Dollars Debit	
Section: B		Section Name: Capital leases - other		No Data Flag: YES		Rounding Method: User-Defined	
Decimal: User-Defined							
Line Line Description No	CY Federal	CY Non-Federal	PY Federal	PY Non-Federal	Line Attributes NB		
1	Future minimum lease programs					Dollars Credit	
2	Imputed interest					Dollars Credit	
3	Executive costs including any profit					Dollars Credit	
4	Total capital lease liability					Dollars Credit	
Section: C		Section Name: Commitments: Operating leases and undelivered orders		Rounding Method: Thousands		Decimal: Zero	
Line Line Description No	CY Federal	CY Non-Federal	PY Federal	PY Non-Federal	Line Attributes NB		
1	Operating leases					Dollars Credit	
2	702,474	643,939			Dollars Credit		
Undelivered orders							

**U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report**

Note: 18 **Commitments**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004**Period:** Q4YTD**Tab: Other Notes Info.**

Section: D **Section Name:** Other Commitments **No Data Flag:** YES **Rounding Method:** User-Defined **Decimal:** User-Defined

Line No	Line Description	CY Federal	CY Non-Federal	PY Federal	PY Non-Federal	Line Attributes	NB
1						Dollars	Credit
2						Dollars	Credit
3						Dollars	Credit
4						Dollars	Credit
5						Dollars	Credit

Section: E **Section Name:** Risk assumed **No Data Flag:** YES **Rounding Method:** User-Defined **Decimal:** User-Defined

Line No	Line Description	2004 - Q4YTD	2003 - Q4YTD	Line Attributes	NB
1	Risk assumed from insurance and guarantee programs			Dollars	Credit

Tab: Text Data

Line No	Question	Answer
1	Provide the indicators of the range of uncertainty around insurance related estimates and sensitivity of the estimates to changes in major assumptions.	None
2	Provide a statement if the estimate of possible liability cannot be made.	
3	Provide a description of the lessee's leasing arrangements including the basis on which contingent rental payments are determined, the existence and terms of renewal or purchase options, escalation clauses and restrictions imposed by lease agreement.	None

U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report

Note: 19 **Dedicated Collections**
Entity: 7300 **Small Business Administration**
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Tab: Other Notes Info.									
Section: A		Section Name: Assets - Current Year		No Data Flag: YES	Rounding Method: User-Defined		Decimal: User-Defined		
Line No	Line Description	Inv. in Fed debt securities - net	Fund balance with Treasury	Other Fed assets	Non-Federal assets	Total assets	Line Attributes	NB	
14							Dollars	Debit	
15							Dollars	Debit	
16							Dollars	Debit	
Section: B		Section Name: Assets - Prior year		No Data Flag: YES	Rounding Method: User-Defined		Decimal: User-Defined		
Line No	Line Description	Inv. in Fed Debt Sec. - net	Fund balance with Treasury	Other Federal assets	Non-Federal assets	Total assets	Line Attributes	NB	
14							Dollars	Debit	
15							Dollars	Debit	
16							Dollars	Debit	
Section: C		Section Name: Liabilities - Current Year		No Data Flag: YES	Rounding Method: User-Defined		Decimal: User-Defined		
Line No	Line Description	Liability due and payable to beneficiaries	Other liabilities	Total liabilities			Line Attributes	NB	
14							Dollars	Credit	
15							Dollars	Credit	
16							Dollars	Credit	

U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report

Note: 19 Dedicated Collections
Entity: 7300 Small Business Administration
Status: Complete

Fiscal Year: 2004

Period: Q4YTD

Tab: Other Notes Info.

Section: D		Section Name: Liabilities - Prior Year		No Data Flag: YES		Rounding Method: User-Defined		Decimal: User-Defined	
Line No	Line Description	Liability due and payable to beneficiaries	Other liabilities	Total liabilities		Line Attributes		NB	
14						Dollars Credit			
15						Dollars Credit			
16						Dollars Credit			
Section: E		Section Name: Current Year - Revenue, financing, expenses, and other		No Data Flag: YES		Rounding Method: User-Defined		Decimal: User-Defined	
Line No	Line Description	Beginning net position	Exchange revenue - Federal	Exchange revenue - with the public	Nonexchange revenue - Federal	Nonexchange revenue - with the public	Other financing sources	Line Attributes	
14								Dollars Debit	
15								Dollars Debit	
16								Dollars Debit	
Line No	Line Description	Other changes in fund balance	Program expenses	Other expenses	Ending Net Position		Line Attributes		NB
14							Dollars Debit		
15							Dollars Debit		
16							Dollars Debit		
Section: F		Section Name: Prior Year - Revenue, financing, expenses, and other		No Data Flag: YES		Rounding Method: User-Defined		Decimal: User-Defined	
Line No	Line Description	Beginning net position	Exchange revenue - Federal	Exchange revenue - with the public	Nonexchange revenue - Federal	Nonexchange revenue - with the public	Other financing sources	Line Attributes	
14								Dollars Debit	
15								Dollars Debit	
16								Dollars Debit	
Line No	Line Description	Other changes in fund balance	Program expenses	Other expenses	Ending net position		Line Attributes		NB
14							Dollars Debit		
15							Dollars Debit		
16							Dollars Debit		

U.S. Department of the Treasury
Financial Management Service
Government Financial Report System
GF006 - FR Notes Detail Report

Note: 19	Dedicated Collections	Fiscal Year: 2004	Period: Q4YTD
Entity: 7300	Small Business Administration		
Status: Complete			

Tab: Other Notes Info.			
Section: G	Section Name: Other	No Data Flag: YES	Rounding Method: User-Defined
Decimal: User-Defined			
Line Line Description No	CY - Revenues	CY - Other financing sources	CY - Costs
14			
15			
16			

Tab: Text Data		No Data Flag: YES	
Line No	Question	Answer	
1	Provide the legal authority for the administrative entity of each fund to use the collections based on SFAS No. 7, par. 85.		